

CITY OF DUVALL
King County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Expenditures Must Be Limited To Appropriations

Our examination of the City of Duvall's 1994 budget operations revealed that expenditures exceeded budgetary appropriations in the General Fund by \$11,689.

Cities are prohibited from incurring expenditures in excess of budgeted appropriations by RCW 35A.33.120, which states in part:

The expenditures as classified and itemized in the final budget shall constitute the city's appropriations for the ensuing year. Unless otherwise ordered by a court of competent jurisdiction . . . the expenditure of city funds or the incurring of current liabilities on behalf of the city shall be limited to the following:

- (1) The total amount appropriated for each fund in the budget for the current fiscal year

In addition, RCW 35A.33.125 states in part:

Liabilities incurred by any officer or employee of the city in excess of any budget appropriations shall not be a liability of the city. The clerk shall issue no warrant and the city council or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund

The cause of this budgetary overrun in 1994, as in 1993, appears to be a lack of diligence by city management and city officials in monitoring fund expenditures to ensure there were sufficient appropriations to cover them. These deficiencies have resulted in the city council's statutory budgetary controls being rendered ineffective.

We continue to recommend that city officials institute procedures to more adequately monitor expenditures to ensure that budgetary appropriations are not exceeded in any fund.

2. The City Should Maintain Positive Cash Balances In All Funds

Our audit disclosed a deficit cash balance of \$15,486 in the General Fund at year end:

Deficit cash positions are in violation of RCW 43.09.210, which states in part:

. . . All Services rendered by . . . one department, public improvement, undertaking, institution, or public service industry to another, shall be paid for at its true and full value . . . and no department . . . shall benefit in any financial manner whatever by an appropriation or fund for the support of another.

Whenever one fund runs a negative cash balance, another fund must cover its expenditures; this has the effect of letting the deficit fund spend the resources of the solvent fund.

The above situation occurred primarily because costs reported in the General Fund this year were not always accurately posted to the accounting records. When, as part of our examination, the actual cost incurred were accurately posted, a negative cash balance resulted.

We continue to recommend the city comply with state law and take appropriate steps to ensure that funds do not run deficit cash balances.